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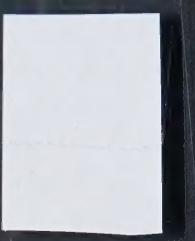
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EL SALVADOR

GEOGRAPHY AND PEOPLE

El Salvador is the smallest and most densely populated country on the American continent, with an area of 20,935 square kilometres -- half the size of Nova Scotia -- and a population of 5,260,000 that grew at a rate of 3 per cent between 1970 and 1983. The country lies on the Pacific coast of Central America between Guatemala and Honduras, across the Gulf of Fonseca from Nicaragua. The capital, San Salvador, is the administrative, economic and governmental centre.

Ninety per cent of El Salvador's population is of mixed Spanish-Indian descent. The remaining 10 per cent is made up of small minority groups and a considerable number of foreigners. Approximately 60 per cent of the people live in rural areas, and the most heavily populated region is the central valley.

Spanish is the official language, although some Indians still speak Nahuatl, a dialect of the Pipil tribes. About 80 per cent of the population is Roman Catholic.

El Salvador is divided into three distinct climatic zones: the narrow Pacific coastal plain, which is very hot; the comparatively cooler northern plains; and the central valley, which enjoys a temperate climate. The country's dry season lasts from December to May. The average temperature is 22° Celsius, except along the coast where the average is 26° Celsius.

El Salvador lies in the Central American volcanic zone. Two mountain chains cross the country from east to west and define the climatic regions. There are several active volcanos. The volcanic activity fertilizes the soil, especially in the central valley where the land is particularly well suited to growing coffee. Almost all of El Salvador's arable land is cultivated.

HISTORY

From the 4th to the 10th centuries, El Salvador was inhabited by several Indian tribes of the Mayan culture: the Pokomans, Chortis, Lencas and Ulus. After the Maya came the Pipils, a tribe of Nahua nomads of Mexican origin. Remnants of Nahua culture, which resembled that of the Aztecs, have been found in the ruins of Tanzumal and San Andres.

With great difficulty, Spanish forces led by Pedro de Alvarado conquered the Pipils in 1525. El Salvador and the other Central American provinces proclaimed their independence from Spain in 1821. The United Provinces of Central America was formed shortly after that, only to be dissolved in 1838, at which time El Salvador became an independent republic.

El Salvador's history after independence, like that of other countries in Central America, was marked by frequent revolutions. In 1931 the last civilian president was deposed by the military, which retained

power until 1979. In October of that year, General Romero was replaced by a five-man military and civilian junta.

Since 1979, El Salvador has had to deal with civil strife that has displaced more than 500,000 people within the country, 40 per cent of whom have moved to the capital. In addition, an estimated 400,000 people have emigrated or sought refuge in other countries.

Elections held on March 28, 1982 brought to power a coalition of right-wing parties within a new Constituent Assembly, which established the framework for the presidential elections of spring 1984. Won by José Napoleon Duarte, leader of the reformist Christian Democratic Party, these elections are considered by Canadian and other observers as being freely held and representative of the will of the people who, despite the civil war, turned out in great numbers to vote.

In the elections of March 31, 1985 the voters confirmed the president's mandate, giving Mr. Duarte a majority of seats in the legislative assembly. The new administration seems sincerely disposed to carrying out national reconciliation, to reforming the judicial system, to investigating human rights violations, and to moving forward on social and economic reforms.

El Salvador is the most unstable country in Central America today. The country is wrestling with the most blatant income inequality in Latin America, an alarming rate of population growth, a high level of seasonal unemployment, a situation not conducive to investment, a high rate of illiteracy and an economy in crisis.

ECONOMY

Between 1960 and 1978, the annual growth rate of the Salvadoran economy was 5.4 per cent. Exports and investment were the driving forces behind this growth, with exports accounting for 22 per cent of the gross domestic product (GDP) from 1960 to 1962, increasing to 36 per cent from 1976 to 1978. The growth can be explained in part by attractive coffee prices and prosperous cotton production. Coffee, in fact, accounts for more than half the country's exports. Manufactured goods were also becoming important, representing about one-third of all exports. However, El Salvador is in a deficit situation with respect to agricultural production, importing over 30 per cent of its food.

During the same period, investment, financed mainly by domestic savings, grew faster than the GDP. The ratio of investment to GDP increased from 14 per cent in 1960-1962 to 23 per cent in 1976-1978. Despite this progress, the per capita gross national product (GNP) in 1978 was only U.S. \$600.

Between 1979 and 1982, real GNP fell by 22 per cent. Exports dropped 35 per cent, from \$1.1 billion to \$700 million, and imports fell 15 per cent. At the same time, investment tumbled to very low levels, and the flight of capital amounted to at least \$770 million. Production decreased significantly in all major sectors of the economy. The most severely affected were manufacturing, construction and business, with

drops of 29, 35 and 24 per cent, respectively. Agriculture lost 14 per cent of its added value.

Over the same period, government spending grew by more than 50 per cent, including an increase of 132 per cent in defence spending alone. Consequently, the government had to contend with a cumulative deficit of \$1.1 billion between 1979 and 1982.

In 1983, the civil war continued to dominate the economic scene. Political and social uncertainty and the destruction of the physical infrastructure persisted, seriously hampering productivity. Nonetheless, the government succeeded in stopping the economic decline that began in 1979. The balance-of-payments situation improved, with exports increasing 4 per cent after dropping 26 and 12 per cent in 1981 and 1982 respectively, and imports rising 7 per cent over the previous year. The government also succeeded in reducing its overall deficit, bringing it down from 7.7 per cent of GDP in 1982 to 5.8 per cent in 1983.

What are the prospects for the future? The development of El Salvador's economy will continue to depend largely on the country's political and social situation. If tensions in rural areas subside, the world economy continues to recover, and current levels of international credit are maintained, slight growth in real terms may be expected. However, unemployment, under-employment and illiteracy are still obstacles to the development of agriculture and industry. In 1983, the unemployment rate was 25 per cent, about 50 per cent were under-employed and the adult literacy rate was 71 per cent. In addition, the government seems powerless to control violent opposition to land and banking reform.

CANADIAN ASSISTANCE

The Canadian International Development Agency (CIDA) first provided assistance to El Salvador in 1970. In the beginning, Canada's aid program was aimed at improving university administration within the Central American Common Market. This program was implemented in cooperation with the Institute for International Development and Cooperation of the University of Ottawa.

During the '70s, CIDA provided some \$9 million for instruction in fishing and navigation techniques in order to increase catches, for the construction of rural water supply systems and for the provision of equipment for power transmission lines in rural and urban areas.

Because of the social and political unrest and violence in El Salvador, most development assistance projects were suspended in 1980, with the exception of a line of credit for the supply of equipment for power transmission lines.

However, under its humanitarian assistance programs, Canada has made major grants to the International Committee of the Red Cross (ICRC) to provide relief and protection for political prisoners and their families, and food, clothing and medicine for some 250,000 Salvadorans who have fled the civil strife. Additional funds have been made

available to the United Nations High Commissioner for Refugees to help Salvadoran refugees in neighboring countries.

In December 1984, the Right Honourable Joe Clark, Secretary of State for External Affairs, authorized CIDA to enter into negotiations with the Government of El Salvador with a view to restoring Canadian bilateral assistance.

The Canadian assistance now being considered will probably be in the form of a line of credit of several million dollars to help purchase such goods as fertilizer and building materials. The line of credit will be tied to the establishment of a special fund in local currency to finance support activities for displaced persons and other groups in need.

Canada also provides financial assistance to El Salvador through United Nations organizations, the World Food Program, and other international and financial organizations, such as the World Bank and the Inter-American Development Bank. Canada has provided significant amounts to the ICRC to help people displaced over the last few years. Since 1981-82, \$2.225 million has been provided and \$600,000 is programmed for 1985-86.

In addition to providing bilateral and multilateral assistance CIDA encourages all Canadians to become directly involved in efforts to promote self-sufficiency and meet basic human needs in developing countries. The Special Programs Branch is responsible for CIDA's activity in this area. In partnership with non-governmental organizations, CIDA assumes the cost of projects carried out in the poorest Latin American countries. Non-governmental organizations with programs in the Americas include UNICEF Canada, CARE Canada, Foster Parents' Plan of Canada, the Canadian Catholic Organization for Development and Peace, the Anglican Church of Canada, the Canadian Red Cross Society and the Mennonite Central Committee.

PROFILE

Official name	Republic of El Salvador
Capital	San Salvador
Official language	Spanish
Other languages spoken	Nahuatl
Date of independence	September 15, 1821
Currency	Colon

<u>Comparative data</u>	<u>El Salvador</u>	<u>Canada</u>
Area	20,935 sq. km.	9,976,000 sq. km.
Population (1982)	5,260,000	24,600,000
Life expectancy at birth (1982)	63 years	75 years
Infant mortality rate	72 per 1,000 live births	10 per 1,000 live births
Daily per capita calorie supply as percentage of requirement (1982)	94%	126%
Adult literacy rate	71%	99%
Percentage of labor force in		
agriculture	50%	5%
industry	22%	29%
services	28%	66%
Gross national product per capita (1982)	U.S. \$700	U.S. \$11,320
GNP average annual growth rate (1960-1982)	.9%	3.1%
Annual inflation rate (1970-1982)	10.8%	9.3%

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